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UNDP funding issues

Annual review of the financial situation, 2015*

Report of the Administrator

Summary

This report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2015. UNDP maintained a positive net asset position on its balance sheet, and achieved regular resources year-end liquidity above the threshold requested by the Executive Board.

Nonetheless, 2015 was a challenging financial year. Total UNDP revenue decreased by 4 per cent, to $4.820 billion (2014: $5.017 billion), of which contributions were 5 per cent lower, at $4.486 billion (2014: $4.731 billion). Total expenses dropped to $5.057 billion (2014: $5.314 biliion), remaining above the level of total revenue by drawing upon the accumulated surplus from previous years.

Contributions to regular resources fell by 11 per cent, to $0.704 billion (2014: $0.793 billion), including $0.023 billion from programme country Governments (2014: 0.019 billion). A total of $0.041 billion from several donors for 2014 and prior years was received and recorded in 2015. Regular resources expenses fell by 12 per cent, to $0.823 billion (2014: $0.940 billion), remaining above the level of revenue by drawing upon the accumulated surplus excluding unrealized adjustments from previous years.

Other resources contributions fell by 4 per cent, to $3.782 billion (2014: $3.938 billion). The ratio of regular to other resources was 16 and 84 per cent respectively (2014: 17 and 83 per cent).

* The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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Contributions to other resources comprised funding from: programme country Governments of $0.901 billion (2014: $0.901 billion); donor country Governments, which fell by 5 per cent, to $1.335 billion (2014: $1.411 billion); and multilateral partners, which also fell by 5 per cent to $1.546 billion (2014: $1.626 billion). Other resources expenses also decreased, by 3 per cent, to $4.460 billion (2014: $4.597 billion), remaining above the level of contributions.

UNDP coordinates the United Nations system at the country level and plays a vital role in forging development coherence. Further contributing towards coherence, the value of fund flows to multi-donor trust funds, joint programmes and United Nations organizations fell by 6 per cent to $1.389 billion (2014: $1.484 billion).

UNCDF revenue totalled $0.058 billion. Contributions decreased to $0.058 billion (2014: $0.088 billion). Total expenses rose to $0.067 billion, primarily for development activities (2014: $0.057 billion), remaining above the level of total revenue by drawing upon the accumulated surplus from previous years.

Elements of a decision

The Executive Board may wish to:

(a) take note of documents DP/2016/20, DP/2016/20/Add.1, and DP/2016/21;

(b) note the importance of regular resources, which remains the bedrock of UNDP support to programme countries, particularly the poorest and most vulnerable, and to the coherence and effectiveness of the United Nations development system;

(c) urge Member States to prioritize regular resources and other resources that are flexible, predictable and less earmarked, including through new funding windows, and aligned to the outcomes of the UNDP Strategic Plan, 2014-2017;

(d) recall the importance of funding predictability, timeliness of payments and adherence to multi-year pledges to avoid liquidity constraints in regular resources;

(e) urge Member States that have not yet provided their contribution to regular resources for 2016 to do so, and encourage those countries which have not contributed to regular resources in the past to consider doing so.

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A. Statement of financial performance for the year ended 31 December 2015

B. Statement of financial position as at 31 December 2015

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I. Introduction

1. This report provides an overview of the financial position of UNDP and the United Nations Capital Development Fund (UNCDF) at the end of 2015.

2. Annexes I-V are available on the UNDP website. Tables 1-11 in DP/2016/26/Add.1 provides further details of activities undertaken by UNDP and by UNCDF.

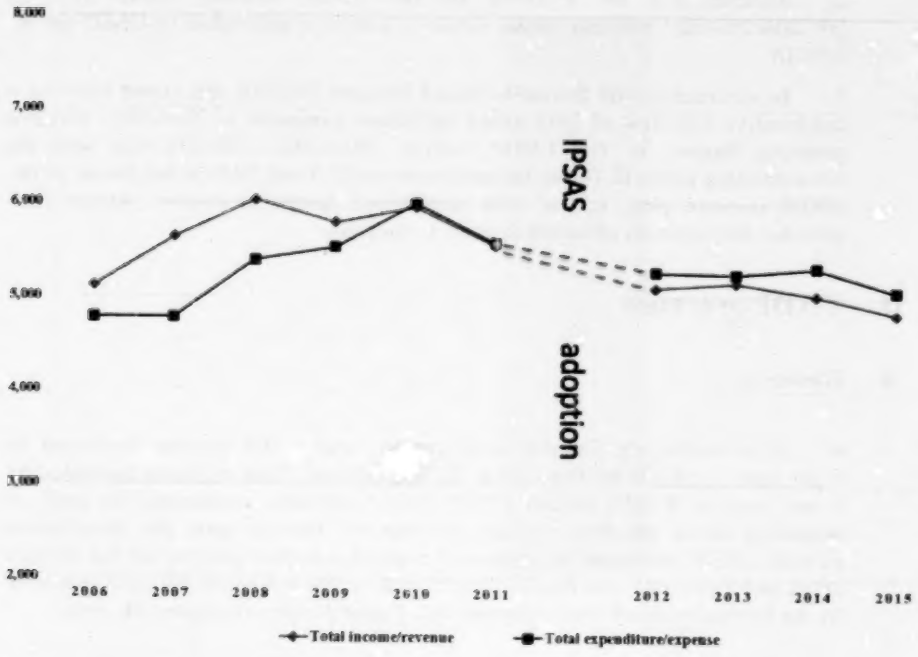
3. In accordance with Executive Board decision 2013/28, this report includes a comparative overview of 2015 actual utilization compared to 2014-2015 resource planning figures in the UNDP budget, 2014-2017 (DP/2013/41) and the corresponding annex II. It also includes annexes III.A and III.B in the format of the UNDP resource plan, in line with harmonized functional clusters. Annex III.C provides the resources allocated to posts by location.

II. UNDP overview

A. Revenue

4. In a challenging financial environment, total UNDP revenue decreased by 4 per cent, to $4,820 million (2014: $5,017 million). Total expenses decreased by 5 per cent, to $5,057 million (2014: $5,314 million), continuing the trend of remaining above the level of total revenue by drawing upon the accumulated surplus. UNDP continued to maintain a positive net asset position on the balance sheet, and a year-end core liquidity position above the minimum threshold requested by the Executive Board (see paragraph 48). Figure 1 below illustrates the trend.

Figure 1
Revenue and expenses, 2006-2015
(Millions of United States dollars)



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IPSAS - International Public Sector Accounting Standards

5. Total revenue fell by 4 per cent, to $4,820 million (2014: $5,017 million). Table 1 below shows the breakdown.

Table 1
UNDP revenue, 2015
(Millions of United States dollars)

Resources	2015	2014	*increase/ (decrease)*	*% change*
REVENUE				
Contributions	4,486	4,731	(245)	(5%)
GLOC accounting linkage	(3)	(4)	1	(25%)
GLOC	43	39	4	10%
Contributions in kind	17	18	(1)	(6%)
Transfer of funds and refunds to funding partners	(70)	(123)	53	(43%)
Contributions, net	4,473	4,661	(188)	(4%)
Hedging	10	19	(9)	(47%)
Investments	41	38	3	8%
Other	522	522	-	0%
Total revenue before elimination	5,046	5,240	(194)	(4%)
Elimination	(226)	(223)	(3)	1%
Total revenue after elimination	4,820	5,017	(197)	(4%)

GLOC - government contributions to local office costs

6. Table 2a below presents the total UNDP contributions of $4,486 million, which fell by 5 per cent (2014: $4,731 million). This includes contributions receivable from partners of $59 million (2014: $126 million). UNDP was funded 16 per cent from regular resources and 84 per cent from other resources (2014: 17 per cent and 83 per cent, respectively), a trend that is continuing in 2016.

Table 2a
UNDP contributions by funding partners, 2015
(Millions of United States dollars)

Year	**Donor country Governments**	**Programme country Governments**	**Multilateral partners**	**Total**
2015	2,016	924	1,546	4,486
2014	2,185	920	1,626	4,731
Increase/(decrease)	(169)	4	(80)	(245)
% change	(8%)	-	(5%)	(5%)

7. Of total contributions, $2,016 million, representing 45 per cent (2014: 46 per cent), was from donor country Governments; $1,546 million, representing 34 per cent (2014: 35 per cent), was from multilateral partners; $924 million, representing 21 per cent (2014: 19 per cent), was from programme country Governments, primarily in support of their national development. UNDP remains committed to further diversifying the funding base across and beyond Governments.

Table 2b
UNDP contributions by resource type, 2015
(Millions of United States dollars)

Resources	2015			2014		
	Regular resources	Other resources	Total	Regular resources	Other resources	Total
REVENUE						
Contributions	704	3,782	4,486	793	3,938	4,731
GLOC accounting linkage	(3)	-	(3)	(4)	-	(4)
GLOC contributions	31	12	43	27	12	39
Contributions in-kind & other	17	-	17	18	-	18
Transfer of funds & refunds to donors	(3)	(67)	(70)	1	(124)	(123)
Contributions, net	746	3,727	4,473	835	3,826	4,661

8. Total contributions to regular resources fell by 11 per cent, to $704 million (2014: $793 million), including $41 million relating to 2014 that was received and recorded in 2015. Government cash contributions to local office costs increased by 15 per cent to $31 million (2014: $27 million). In-kind contributions reached $17 million (2014: $18 million).

9. While UNDP responded to the reductions through institutional efficiency and economy measures, regular resources remain vulnerable to volume reductions and exchange rate fluctuations. UNDP continues to adapt in response to fluctuations in funding, although further reductions in regular resources jeopardize its ability to achieve planned strategic results.

10. Total other resources contributions decreased by 4 per cent, from $3,938 million in 2014 to $3,782 million, including $57 million receivable. The details of other resources are reported in chapters IV (cost sharing), V (trust funds) and VI (reimbursable support services and miscellaneous activities) below.

11. Other resources contributions are 'earmarked' for specific programmes and are important complements to the 'un-earmarked' regular resource base of UNDP. UNDP is committed to working with Member States to improve the flexibility of other resources funding.

Investment revenue

12. Total investment revenue increased by 8 per cent, to $41 million (2014: $38 million). It consisted of $12 million in regular resources (2014: $10 million); $17 million in cost sharing (same as 2014); $7 million in trust funds (2014: $6 million); and $5 million in reimbursable support services and miscellaneous activities (same as 2014). The rate of return on the investment portfolio continued to exceed the three-month London Inter-Bank Offered Rate benchmark throughout 2015.

B. Expenses

13. Total expenses decreased by 5 per cent, to $5,057 million (2014: $5,314 million), remaining above the level of total revenue by drawing upon the accumulated surplus. Eighty-four per cent (2014: 83 per cent) was spent on

development activities, including development effectiveness; 3 per cent (2014: 2 per cent) on United Nations development coordination activities; 7 per cent (2014: 8 per cent) on management activities; 1 per cent (as in 2014) on special-purpose activities; and 5 per cent (2014: 6 per cent) on other activities.

14. UNDP is the steward of the resident coordinator system that leads the strategic planning and coordination of United Nations country teams. Expenses on United Nations development coordination activities increased by 9 per cent, from $117 million in 2014 to $128 million in 2015.

Table 3a
UNDP overall expenses, 2015
(Millions of United States dollars)

Resources	2015	2014	increase/ (decrease)	% change
Expenses				
Development activities				
Programme	4,238	4,398	(160)	(4%)
Development effectiveness	179	175	4	2%
Subtotal — development activities	4,417	4,573	(156)	(3%)
United Nations development coordination activities	128	117	11	9%
Management activities	386	450	(64)	(14%)
Special-purpose activities	64	66	(2)	(3%)
Other activities	288	331	(43)	(13%)
Total expenses before elimination	5,283	5,537	(254)	(5%)
Elimination	(226)	(223)	(3)	1%
Total expenses	5,057	5,314	(257)	(5%)

15. The total expenses of $5,283 million by resource type is shown in table 3b below.

Table 3b
UNDP expenses, by resource type and cost classification, 2015
(Millions of United States dollars)

Resources	2015			2014		
	Regular resources	Other resources	Total	Regular resources	Other resources	Total
Expenses						
Development activities						
Programme	418	3,820	4,238	466	3,932	4,398
Development effectiveness	81	98	179	79	96	175
Subtotal - development activities	499	3,918	4,417	545	4,028	4,573
United Nations development coordination activities	94	34	128	88	29	117
Management activities	148	238	386	212	238	450
Special-purpose activities	16	48	64	19	47	66
Other activities	66	222	288	76	255	331
Total expenses before elimination	823	4,460	5,283	940	4,597	5,537

C. Accumulated surplus

16. Its financial regulations and rules require UNDP to operate on a fully-funded basis for activities funded by other resources. In accordance with partnership agreements, all project balances are segregated for accounting and reporting purposes, with no commingling of balances between projects. Appropriate cash balances are held for settling current or future liabilities.

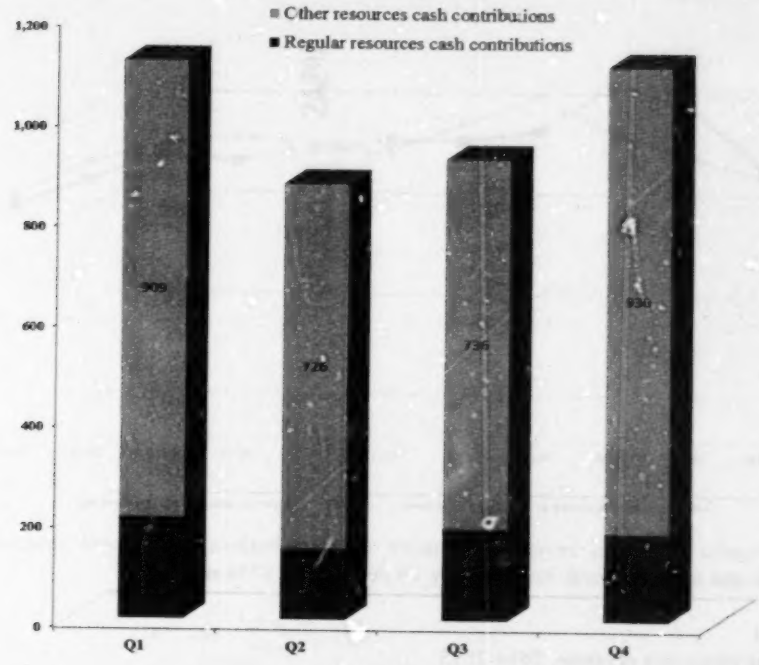
17. The overall accumulated surplus at 31 December 2015, excluding reserves, increased by 2 per cent, to $3,929 million (2014 restated: $3,872 million).

18. Total expenses continued to exceed total revenue, by drawing $237 million from the accumulated surplus. However, it was offset by a $267 million accounting adjustment for an unrealized gain to after-service health insurance, resulting from an increase in the actuarial assumption discount rate based on the independent actuarial study. A further $11 million were released to the accumulated surpluses from their operational reserves, in accordance with the operational reserve formula approved by the Executive Board in decision 1999/9.

19. UNDP seeks opportunities to accelerate development assistance and further draw down its accumulated surplus, taking into account the timing of the receipt of funds, the programme cycle and the approved UNDP regulatory and governance framework.

20. At this time, most of the accumulated surplus is fully programmed for delivery in future years. Timely and early payments in contributions by Member States will give a further boost to UNDP programmes and budgets. In 2015, a total of $1,105 million, or 28 per cent of total cash receipts of contributions for current and prior years (regular and other resources), were received in the last quarter for delivery in future years (2014: 22 per cent), as shown in figure 2 below, a relative decline compared to 2014.

Figure 2
Receipt of resources, by quarter, 2015
(Millions of United States dollars)

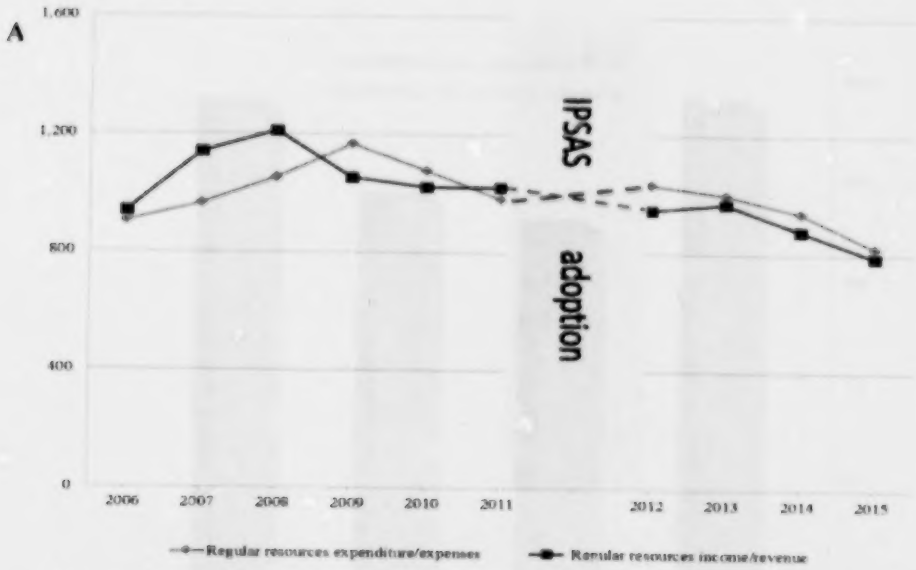


III. Regular resources

A. Revenue

21. Regular resources revenue decreased by 10 per cent, to $791 million. Contributions decreased by 11 per cent, to $704 million (2014: $793 million), and expenses decreased by 12 per cent, to $823 million (2014: $940 million). The excess of expenses over revenue of $32 million (2014: $62 million) was funded from the accumulated surplus.

Figure 3
Regular resources revenue and expenses, 2006-2015
(Millions of United States dollars)



22. Regular resources revenue, inclusive of contributions, investment interest revenue and other revenue, decreased by 10 per cent, to $791 million.

Table 4
Regular resources revenue, 2014-2015
(Millions of United States dollars)

Regular resources	2015	2014	Increase/ (decrease)	% change
Revenue				
Contributions	704	793	(89)	(11%)
GLOC accounting linkage	(3)	(4)	1	(25%)
GLOC	31	27	4	15%
Contributions in kind	17	18	(1)	(6%)
Transfer of funds & refunds to funding partners	(3)	1	(4)	(400%)
Contributions, net	746	835	(89)	(11%)
Hedging	10	19	(9)	(47%)
Investments	12	10	2	20%
Other	23	14	9	64%
Total revenue	791	878	(87)	(10%)

Contributions

23. Contributions to regular resources decreased by 11 per cent ($89 million) from $793 million to $704 million, including $41 million in contributions relating to 2014

that were received and recorded in 2015. This decrease was due mainly to foreign exchange effects (net reduction of $95 million, compensated by a $10 million benefit from the hedging programme) offset by volume increases of $6 million. Excluding the $41 million relating to 2014, regular resources contributions in 2015 would have been $663 million (2014: $834 million), a decrease of 21 per cent.

24. As shown in table 5 below, contributions from the top 10 partners amounted to $586 million, representing 83 per cent of total contributions of $704 million (2014: $626 million; 79 per cent of total contributions of $793 million). The $704 million comprised $681 million from donor country Governments (2014: $774 million) and $23 million from programme country Governments (2014: $19 million).

25. Five partners increased their contributions in United States dollars or local currencies, and 22 maintained their contributions at the same level as in 2014. Eighteen partners reduced their contributions in local currency, including 10 members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development. After a break in 2014, two donor country Governments and four programme country Governments resumed making contributions in 2015.

26. Fifty-one Member States contributed to regular resources (2014: 56), including 24 programme countries (2014: 29). Details of contributions to regular resources by Member States are presented in table 4 of document DP/2016/20/Add.1.

Table 5

Regular resources contributions — top 10 partners, 2014-2015

(Millions of United States dollars)

Donor	Contributions in local currency (millions)			Contributions expressed as dollars (millions)		
	2015	*2014*	*Per cent change*	*2015*	*2014*	*Per cent change*
United Kingdom of Great Britain and Northern Ireland	55	55	-	83	90	(8%)
Norway	630	680	(7%)	81	112	(28%)
United States of America	75	81	(7%)	75	81	(7%)
Japan *				67	80	(16%)
Switzerland	57	57	-	60	63	(5%)
Sweden	495	510	(3%)	59	73	(19%)
Canada	85	-	N/A	69	-	N/A
Denmark	330	330	-	47	60	(22%)
Germany	22	22	-	25	29	(14%)
Belgium	19	19	-	20	24	(17%)
Total for top 10 donors	N/A	N/A	N/A	***586***	***612***	(4%)
Others	N/A	N/A	N/A	***118***	***181***	(35%)
Total voluntary contributions				**704**	**793**	(11%)
Funds received in 2015 for 2014				(41)	41	
Adjusted contributions				663	834	(21%)
Source: DP/2016/20/Add.1, table 5.						
*Contributions from Japan are pledged and received in United States dollars.						

27. Declining regular resources pose a key challenge, constraining the ability of UNDP to ensure global development effectiveness and to make strategic choices and investments. If regular resources continue to decrease, it will not be possible for

UNDP to maintain the protections for the programme budget now in place. Reduced support for development effectiveness and management could also accentuate organizational risks due to adverse effects on institutional capacity for quality assurance, monitoring, accountability and oversight.

Government contributions to local office costs

28. Government contributions to local office costs (GLOC) are an important source of revenue and can be in the form of cash or in-kind donations. Against the 2015 GLOC target (cash and in kind) of $51 million, contributions of $25 million were received, consisting of cash contributions of $17 million and in-kind contributions of $8 million for premises, buildings and utilities. In addition, $14 million was received against GLOC arrears (2014: $5 million).

29. Tables 8(a), 8(b) and 8(c) in document DP/2016/20/Add.1 provide information on 2015 GLOC cash contributions by country, cumulative arrears to 2015 and contributions towards prior period arrears.

Hedging programme

30. The UNDP currency hedging programme generated a $10 million benefit by securing better exchange rates than the monthly United Nations rate on regular resources contributions, plus premiums earned on options transactions. UNDP has continued the programme in 2016. Given the continued volatility of exchange rates, a dynamic approach to hedging is being followed, based on market conditions and exposure of regular resources contributions.

Other revenue

31. Other revenue, mainly comprising miscellaneous revenue and exchange gains on assets, totalled $23 million (2014: $14 million). The increase is due primarily to currency gains from exchange rate fluctuations.

B. Expenses

32. In accordance with Executive Board decision 2010/32, expenditures are reported in four harmonized cost-classification categories: (a) development; (b) United Nations development coordination; (c) management; and (d) special purpose. Expenditures outside those cost classifications are reported under 'other activities' and included as part of overall expenditure.

33. Regular resources expenses fell by 12 per cent, to $823 million (2014: $940 million), remaining above the level of revenue by drawing on the accumulated surplus excluding unrealized adjustments. UNDP also took measures to reduce expenses to achieve the minimum required liquidity level. While total expenses were reduced, UNDP managed to increase the level of expenses for United Nations development coordination and minimize the reductions in programme expenses of unprotected lines by focusing reductions on management expenditures. Regular resources expenses, by cost classification, are shown in table 6 below.

Table 6
Regular resources expenses, by cost classification, 2014-2015
(Millions of United States dollars)

Regular resources	2015	2014	*Increase/ (decrease)*	*% change*
Expenses				
Development activities				
Programme	418	466	(48)	(10%)
Development effectiveness	81	79	2	3%
Subtotal development activities	499	545	(46)	(8%)
United Nations development coordination activities	94	88	6	7%
Management activities	148	212	(64)	(30%)
Special-purpose activities	16	19	(3)	(16%)
Other	66	76	(10)	(13%)
Total expenses	823	940	(117)	(12%)

Development expenses

34. Development expenses decreased by 8 per cent, to $499 million (2014: $545 million). This is in line with the reduction in regular resources given the volume of regular resources contributions received.

United Nations development coordination expenses

35. UNDP support to the resident coordinator system increased by 7 per cent, to $94 million (2014: $88 million), in line with the increased support highlighted in the Strategic Plan and integrated budget, 2014-2017. These expenses incorporate both financing the 'backbone' resident coordinator system structure at country, regional and global levels, and the UNDP share of supplemental costs as part of a system-wide cost sharing of the resident coordinator system.

Management expenses

36. Expenses were reduced by 30 per cent, to $148 million (2014: $212 million), in order to ensure that the programme component of the integrated budget did not bear the full reduction in revenue. Further details are presented in section C below.

Special-purpose expenses

37. Expenses totalled $16 million (2014: $19 million). Major expenses are $10 million (2014: $13 million) related to the United Nations Volunteers programme (UNV), and $4 million related to UNCDF (as in 2014). The significant decline in core contributions resulted in reprioritization of UNDP activities and impacted expenses for UNV.

Other expenses

38. Other expenses totalled $66 million (2014: $76 million), of which $23 million (2014: $25 million) related to after-service health insurance, $19 million (2014: $27 million) to the revaluation of currencies and exchange rate fluctuations, and $3 million (2014: $2 million) to additional security measures.

39. UNDP participates in the United Nations system-wide valuation of post-retirement benefits, performed by an independent actuary. The latest valuation was

carried out as at 31 December 2015. The after-service health insurance liability, valued at $954 million (2014: $1.142 million), was recorded as a UNDP liability in accordance with the International Public Sector Accounting Standards. The $188 million (16 per cent) decrease in liability is due primarily to an increase in the actuarial assumption discount rate.

40. UNDP has a 15-year plan to fund its after-service health insurance liability. Of the $954 million, $615 million had been funded as of 31 December 2015. The management of the portfolio has been outsourced to external professional investment managers to optimize the ability to fund these liabilities. UNDP, the United Nations Children's Fund, United Nations Population Fund, UNCDF and United Nations Entity for Gender Equality and Empowerment of Women (UN-Women) have collaborated to implement this arrangement.

C. Regular resources and integrated budget expenditure

41. For activities reported in 2015, UNDP operates within the integrated budget, 2014-2017, as approved by the Executive Board in decision 2013/28, for regular resources-financed activities: (a) programmatic components; and (b) institutional components.

42. Annex II compares the final approved budget, covering both programmatic and institutional components, with the actual expenditure amounts, calculated on the same basis as the corresponding budget for regular resources (modified accruals basis).

43. During 2015, significantly reduced levels of contributions to regular resources, exacerbated by the strengthening of the United States dollar, resulted in sharply reduced regular resources. UNDP took measures to reduce expenditures impacting both programmatic and institutional components but maintain the three-month liquidity requirement for regular resources mandated by the Executive Board.

44. Table 7 below compares actual expenditures for 2014 and 2015. In 2015, 37 per cent of regular resources were spent on institutional costs, compared to 39 per cent in 2014. Thus the share of regular resources for programmatic activities increased from 61 per cent in 2014 to 63 per cent in 2015. Moreover, within the reduced institutional budget, the proportion of management costs has decreased significantly from 55 to 42 per cent over these two years.

Table 7
Integrated budget expenditure, by cost classification category, 2014-2015
(Millions of United States dollars)

Regular resources	2015 actual expenditures			2014 actual expenditures	
Programmatic	63%	$451		61%	$507
Institutional	37%	$261		39%	$325
Total	100%	$712		100%	$832

Institutional	2015 actual expenditures			2014 actual expenditures	
Development Effectiveness	24%	$62		18%	$57
United Nations coordination	29%	$76		22%	$73
Management	42%	$110		55%	$179
Special-purpose	5%	$13		5%	$16
Total	100%	$261		100%	$325

45. Annex III.A presents the integrated resources plan that covers regular and other resources for the period 2014-2015 and compares the plan with 2014-2015 actuals. This comparison shows that:

(a) activities reported in 2014-2015 remain within the approved integrated resources plan;

(b) at the end of the period 2014-2015, UNDP had achieved the management ratio level of 8.1 per cent, targeted for the end of the period 2014-2017 (in 2012-2013: 8.7 per cent);

(c) overall expenditure level of programmatic activities in 2014-2015 increased and reached 88.2 per cent (in 2012-2013: 88.0 per cent).

46. Annex III.B presents 2014-2015 actuals versus estimates of the institutional components of the integrated resources plan by functional cluster, and annex III.C presents information on resources allocated to posts by location.

D. Accumulated surplus

47. The accumulated surplus at 31 December 2015 was $85 million (2014 restated: a negative balance of $21 million), primarily as a result of positive accounting adjustments related to after-service health insurance. Including the reserves (operational and special reserves) of $197 million, the total equity reached $282 million.

48. In line with the Executive Board's decision, a prudent level of liquidity for regular resources is equivalent to three to six months' expenditures. In order to comply, UNDP made every effort to reduce expenditure levels, maintaining the year-end core liquidity position at 3.60 months of working capital, above the minimum threshold.

49. In 2015, based on the operational reserve formula approved in decision 1999/9 and on the final 2014 income and expenditure figures, the regular resources operational reserve was adjusted downwards, and $10 million was transferred back to the regular resources fund balance.

IV. Cost sharing

50. Cost sharing is a co-financing modality, with resources provided by donor Governments, programme country Governments and other partners.

A. Revenue

51. Cost-sharing revenue fell by 9 per cent, to $2,599 million (2014: $2,846 million). Table 8 below shows the breakdown.

Table 8
Cost-sharing revenue, 2014-2015
(Millions of United States dollars)

Cost sharing	2015	2014	Increase/ (decrease)	% change
Revenue				
Contributions	2,634	2,937	(303)	(10%)
Transfer of funds and refunds to funding partners	(62)	(113)	51	(45%)
Contributions, net	2,572	2,824	(252)	(9%)
Investments	17	17	-	0%
Other	10	5	5	100%
Total revenue	2,599	2,846	(247)	(9%)

Contributions

52. Cost-sharing contributions decreased by 10 per cent, to $2,634 million (2014: $2,937 million), due to decreases by donor country Governments and multilateral partners. This includes $54 million in contributions receivable.

Table 9
Cost-sharing contributions by funding partners, 2014-2015
(Millions of United States dollars)

Year	Donor country Governments	Programme country Governments	Multilateral partners	Total
2015	773	887	974	2,634
2014	840	879	1,218	2,937
Increase/ (decrease)	(67)	8	(244)	(303)
% change	(8%)	1%	(20%)	(10%)

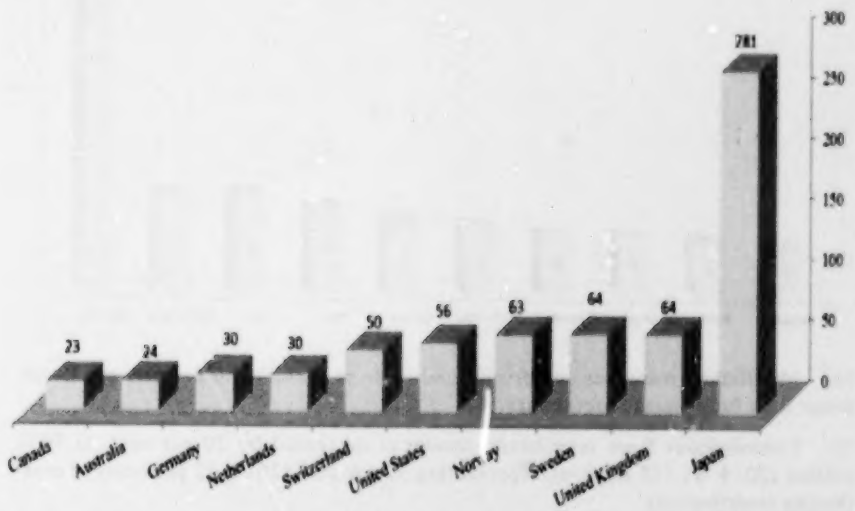
Donor country Governments

53. Contributions from donor country Governments decreased by 8 per cent, to $773 million, representing 29 per cent (as in 2014). Figure 4 below shows the contributions from top 10 donor country Governments, which totalled $685 million (2014: $774 million), representing 26 per cent of cost-sharing contributions.

Figure 4

Cost-sharing contributions, top 10 donor country Governments, 2015

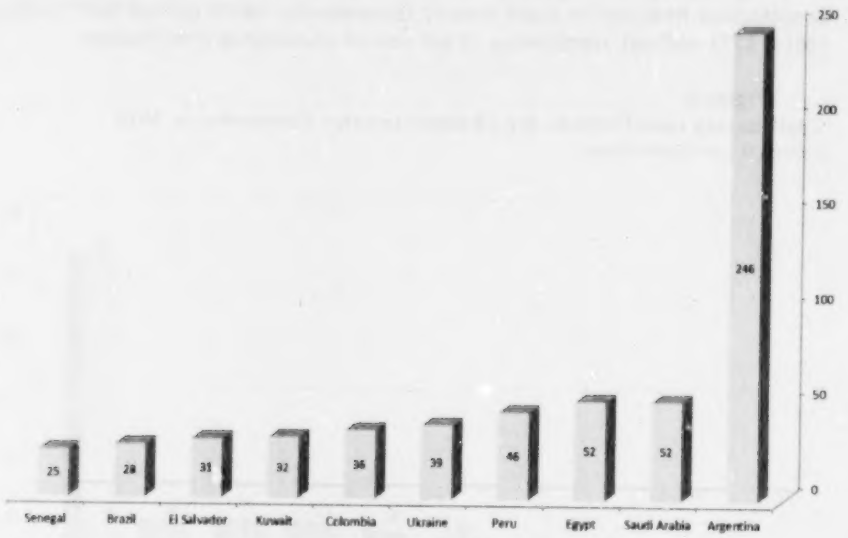
(Millions of United States dollars)



54. Contributions channelled through UNDP by programme country Governments increased slightly by 1 per cent, to $887 million (2014: $879), representing 34 per cent of cost-sharing contributions (2014: 30 per cent).

55. Of that $887 million, 66 per cent (2014: 68 per cent) was from the Governments of 10 programme countries (see figure 5 below). Among these countries, Argentina, Egypt, Kuwait and Saudi Arabia increased their cost-sharing contributions in 2015. Large contributions were received from the Governments of Ukraine and Senegal, comprising respectively $39 million for procurement support services to the Ministry of Health of Ukraine and $25 million for improving community access to social and economic development infrastructure in rural areas of Senegal.

Figure 5
Cost-sharing contributions: top 10 programme country Governments, 2015
(Millions of United States dollars)



56. Multilateral resources comprised funding from multilateral partners and multi-donor trust funds/joint programmes.

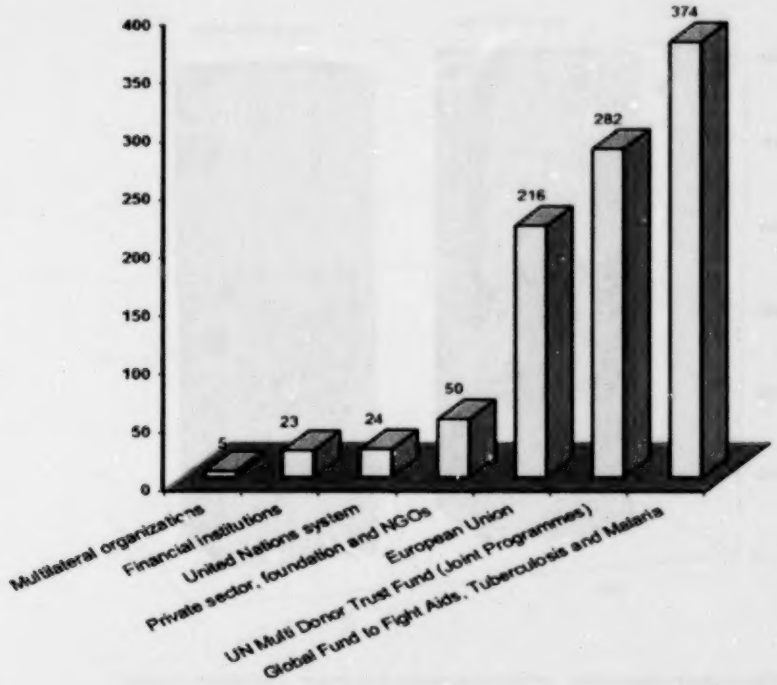
57. Contributions from multilateral resources decreased by 20 per cent, to $974 million (2014: $1,218 million), representing 37 per cent (2014: 42 per cent) of cost-sharing contributions.

58. Contributions from the Global Fund to Fights AIDS, Tuberculosis and Malaria amounted to $374 million (2014: $412 million), excluding $104 million received in 2015 for later programming (2014: $58 million), which will be recognized as contributions in 2016. Contributions from the European Union also decreased, to $216 million (2014: $384 million). Funds channelled through the Multi-Partner Trust Fund Office increased to $282 million (2014: $272 million).

59. Contributions from the private sector, foundations and non-governmental organizations (NGOs) increased by 19 per cent, to $50 million (2014: $42 million). The Bill and Melinda Gates Foundation ($11 million) and Education Above ALL-Al Fakhoora ($6 million) were the top contributors.

60. Total contributions from international and regional financial institutions increased by 35 per cent to $23 million in 2015, primarily representing direct contributions to UNDP for programming in country offices. The Islamic Development Bank was the top contributor, with contributions amounting to $20 million.

Figure 6
Cost-sharing contributions, multilateral partners, 2015
(Millions of United States dollars)

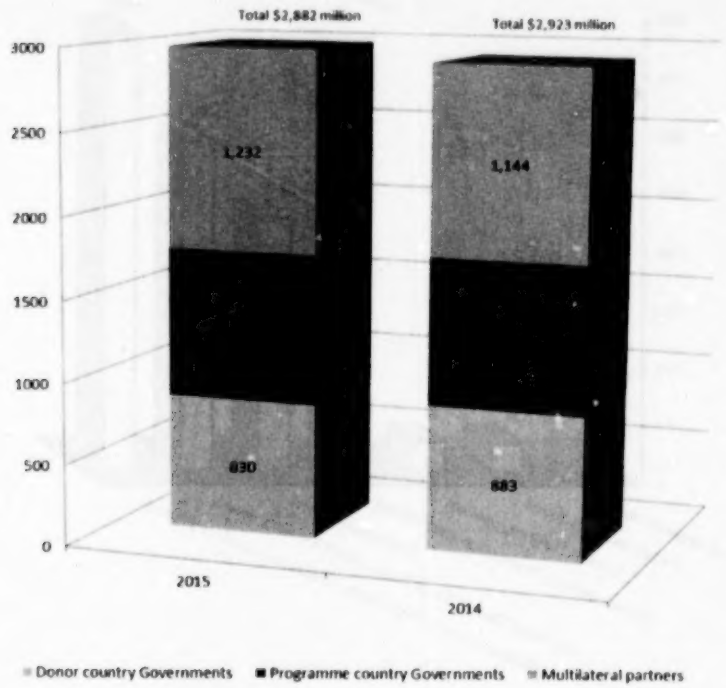


62. Other revenue totalled $10 million (2014: $5 million), and included miscellaneous revenue such as income generated by projects, reimbursements for services and foreign exchange gains.

B. Expenses

63. Cost-sharing expenses, which are for development activities, increased by 2 per cent, to $2,982 million (2014: $2,923 million), of which 28 per cent was funded by donor country Governments, 31 per cent by programme country Governments and 41 per cent by multilateral partners. The breakdown is shown in figure 7 below.

Figure 7
Breakdown of cost-sharing expenses, 2014-2015
(Millions of United States dollars)



C. Accumulated surplus

64. The accumulated cost-sharing surplus as at 31 December 2015 was $2,301 million (2014 restated: $2,684 million), including $780 million of government cost sharing and $252 million of vertical funds. At the time of preparation of this report (end-June 2016), 88 per cent of all available cost-sharing resources have been programmed for delivery in 2016 and future years.

V. Trust funds

65. A trust fund is a co-financing modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities and is overseen by a trust fund manager.

A. Revenue

66. Trust fund revenue increased by 23 per cent, to $1,060 million (2014: $864 million). Table 10 below shows the breakdown.

Table 10
Trust fund revenue, 2014-2015
(Millions of United States dollars)

Trust funds	2015	2014	Increase/ (decrease)	% change
Revenue				
Contributions	1,057	875	182	21%
Transfer of funds and refunds to donors	(5)	(18)	13	-
Contributions, net	1,052	857	195	23%
Investment revenue	7	6	1	17%
Other revenue	1	1	-	0%
Total revenue	1,060	864	196	23%

Contributions

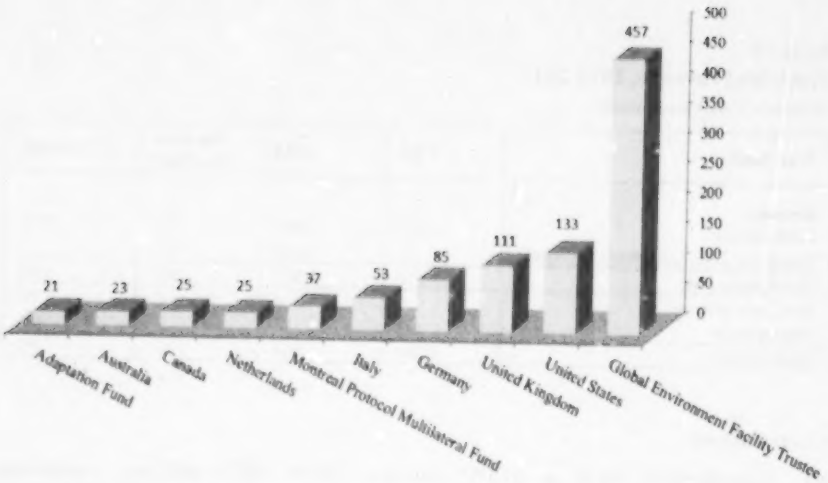
67. Contributions rose to $1,057 million (2014: $875 million), comprising $1,054 million in contributions received and $3 million receivable. The increase is mainly in the Global Environment Facility (GEF) and Law and Order Trust Fund for Afghanistan (LOTFA). Table 11 below shows the breakdown.

Table 11
Trust fund contributions by funding partner source, 2014-2015
(Millions of United States dollars)

Year	Donor country Governments	Programme country Governments	Multilateral partners	Total
2015	522	8	527	1,057
2014	524	5	346	875
Increase/(decrease)	(2)	3	181	182
% change	(0%)	60%	52%	21%

68. Figure 8 below presents the top 10 contributions by bilateral Governments and multilateral partners to trust funds, which totalled $970 million (2014: $809 million). Of this, $390 million was for LOTFA and $26 million for the Crisis Prevention and Recovery Thematic Trust Fund.

Figure 8
Trust fund contributions, top 10 partners, 2015
(Millions of United States dollars)



69. Contributions to trust funds from programme country Governments totalled $8 million (2014: $5 million). The top contributors were the Russian Federation ($2 million for the UNDP Trust Fund for Development); South Africa ($1 million for the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA); India ($1 million for IBSA); Oman ($1 million for the Trust Fund for the Promotion of South-South Cooperation); and Turkey ($1 million for the UNDP Private Sector in Development Trust Fund).

70. In March 2016, UNDP launched new funding windows that provide pooled, flexible funding mechanisms to help UNDP and partners align around common goals to support country-level efforts to achieve the Sustainable Development Goals. Increasing contributions to the funding windows are anticipated in 2016 and beyond.

Other revenue

71. Other revenue remains the same level as in 2014, $1 million.

B. Expenses

72. Trust fund expenses fell by 14 per cent to $823 million (2014: $960 million). The decline in expenses is mainly due to receipt of $270 million in contributions in the last quarter of 2015 for LOTFA, too late to programme for delivery in 2015. Table 12 below reflects expenses by cost classifications.

Table 12
Trust funds expense, by cost classification, 2014-2015
(Millions of United States dollars)

Trust funds	2015	2014	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	779	919	(140)	(15%)
Development effectiveness	44	4	40	1,000%
Subtotal — development activities	823	923	(100)	(11%)
Management activities	-	37	(37)	(100%)
Total expenses	823	960	(137)	(14%)

Development expenses

73. Development activities comprised $779 million for programme activities and $44 million for development effectiveness activities, as follows: development expenses of the GEF, $374 million (45 per cent); of LOTFA, $247 million (30 per cent); and of thematic trust funds, $108 million (13 per cent), including $79 million for the Thematic Trust Fund for Crisis Prevention and Recovery, $12 million for Thematic Trust Fund for Environment and $12 million for the Democratic Governance Thematic Trust Fund.

74. To better align with the harmonized cost-classification categories approved by the Executive Board, which cover both programmatic and institutional activities, expenses are reported under the appropriate cost-classification category. Therefore, policy/advisory, technical and implementation activities needed to achieve programme and project objectives in UNDP areas of focus for the GEF and the Multilateral Fund for the Implementation of the Montreal Protocol in 2015 are reflected as development effectiveness expenses; management expenses related to overall non-core trust fund activities are reported under reimbursable support services (see table 15 below).

C. Accumulated surplus

75. Trust funds reported a surplus of $237 million. The accumulated surplus at the end of 2015 rose to $1,029 million (2014 restated: $798 million), including $481 million (47 per cent) for vertical funds. At the time of preparation of this report (end-June 2016), 94 per cent of all available trust fund resources had been programmed for delivery in 2016 and future years.

VI. Reimbursable support services and miscellaneous activities

76. Reimbursable support services and miscellaneous activities represent resources from provision of management and other support services to third parties, and include, primarily, the following activities: the Junior Professional Officer (JPO) programme; UNV; management service agreements; special activities; and cost recovery.

A. Revenue

77. Revenue dropped by 9 per cent, to $596 million. Table 13 below presents revenue by type.

Table 13
Reimbursable support services and miscellaneous activities revenue, 2014-2015
(Millions of United States dollars)

Reimbursable support services and miscellaneous activities	2015	2014	Increase/ (decrease)	% change
Revenue				
Contributions	91	126	(35)	(28%)
Net contributor country contributions to local office costs	12	12	-	-
Transfer of funds and refunds to donors		7	(7)	(100%)
Contributions, net	103	145	(42)	(29%)
Investment revenue	5	5	-	0%
Other revenue	488	502	(14)	(3%)
Total revenue before elimination	596	652	(56)	(9%)

Contributions

78. The contributions of $91 million are from the sources shown in table 14 below. The contributions for special activities contain $23 million for United Nations development coordination inclusive of $19 million from United Nations Development Group (UNDG) member agencies, $6 million for UNDP support to security, $5 million for avian and human influenza activities, $3 million for the Engagement Facility fund and another $3 million for other special activities.

Table 14
Reimbursable support services and miscellaneous activities contributions, 2015
(Millions of United States dollars)

	Donor resources			Total resources
	Donor country Governments	Programme country Governments	Multilateral partners	
Resources:				
JPO programme	16	-	-	16
UNV programme	13	-	1	14
Management service agreements	2	5	-	7
Special activities	9	1	30	40
Reimbursable support services	-	-	14	14
Total	**40**	**6**	**45**	**91**

79. Net contributor programme country Governments contributed $12 million to local office costs: 63 per cent in the Arab States region; 28 per cent in the Latin America and the Caribbean region; and 9 per cent in the Asia and the Pacific region.

Other revenue

80. Other revenue decreased by 3 per cent, to $488 million (2014: $502 million). Further details of cost-recovery revenue are presented in paragraphs 87-88 below.

B. Expenses

81. Expenses dropped by 8 per cent, to $655 million (2014: $714 million).

Table 15
Reimbursable support services and miscellaneous activities, expenses by cost classification, 2014-2015
(Millions of United States dollars)

Reimbursable support services and misc. activities	2015	2014	Increase/ (decrease)	% change
Expenses				
Development activities				
Programme	59	90	(31)	(34%)
Development effectiveness	54	92	(38)	(41%)
Subtotal - development activities	113	182	(69)	(38%)
United Nations development coordination activities	34	29	5	17%
Management activities	238	201	37	18%
Special purpose activities	48	47	1	2%
Other activities	222	255	(33)	(13%)
Total expenses before elimination	655	714	(59)	(8%)

Development expenses

82. Development expenses totalled $113 million (2014: $182 million), consisting of $59 million for programme activities and $54 million for development effectiveness.

83. Programme expenses comprised $19 million for management service agreements (2014: 56 million), $32 million for the UNV programme (2014: $34 million) and $8 million for special activities (2014 restated: $4 million).

United Nations development coordination expenses

84. Support to United Nations development coordination activities reached $34 million (2014: $29 million). That included expenses of $9 million utilizing donor resources earmarked for country coordination, and $18 million in resources from UNDG member agencies in support to the resident coordinator function.

Management expenses

85. Management activities increased by 18 per cent, to $238 million (2014: $201 million), utilizing cost-recovery resources, due to better attribution of management costs between regular and other resources.

Special-purpose expenses

86. Special-purpose expenses totalled $48 million (2014: $47 million), representing expenses on reimbursable support service activities.

Other expenses

87. Other expenses totalled $222 million (2014: $255 million). Of this, $89 million was related to staff security on behalf of the United Nations system (funded by the United Nations Department of Safety and Security); $15 million to the JPO programme; $48 million to the UNDP share of common service activities; and $35 million to after-service health insurance.

C. Cost recovery

Cost-recovery policy

88. UNDP makes every effort to recover the general management and implementation costs associated with the delivery of other resources-funded programmes and projects and with United Nations entities.

89. Cost-recovery revenue was $352 million in 2015 (2014: $349 million), and expenses were $398 million, as shown in table 16 below. This includes $269 million in general management support fees and reimbursement of implementation support services fees from cost sharing and trust funds. To avoid duplication, that revenue is removed from total revenue (within the net total elimination of $223 million).

Table 16
Cost recovery, 2015
(Millions of United States dollars)

Cost recovery	Programme and project delivery	Reimbursable support services	Total
Revenue			
General management/implementation support services	269	-	269
United Nations organizations - reimbursable services	16	34	50
Administrative agent fees	7	-	7
Joint offices management and support to multi-partner trust fund steering committees	4		4
Net contributor country contributions to fund local office costs	12	-	12
Other	10		10
Total revenue	**318**	**34**	**352**
Expenditure			
Total expenditure	354	44	398

90. Following demands from funding partners, nine general management support waivers were granted in 2015 (see DP/2016/10, annex 2). UNDP makes every effort to attain full compliance with the cost-recovery rate and seeks to further reduce the number of waivers.

D. Accumulated surplus

91. The accumulated surplus at the end of 2015 increased by 25 per cent, to $514 million (2014 restated: $411 million), due mainly to the net actuarial gain of approximately $160 million relating to after-service health insurance and other adjustments of $2 million, offset by $59 million deficit in 2015.

E. Others

92. Management service agreement revenue totalled $5 million (2014: $4 million), consisting of $7 million in contributions (2014: $6 million); and refunds to donors of $2 million (2014: $4 million). The distribution of revenue is shown in document DP/2016/20/Add.1. Total expenses registered $19 million (2014: $56 million), and the accumulated surplus at the end of 2015 was $44 million (2014: $75 million).

United Nations Volunteers programme

93. In 2015, 6,796 UN Volunteers from 153 countries supported partner United Nations entities in their peace and development activities through 7,053 assignments. The financial value of UNV operations amounted to $201 million (2014: $201 million), which included and was supported by UNDP regular resources of $9.8 million (2014: $12.9 million). Of this, programme regular resources expenses made directly by the UNV programme, through the Special Voluntary Fund, cost sharing, trust funds and full funding arrangements, totalled $19 million (9.5 per cent). The remaining financial value is attributable to direct charges to United Nations organizations.

94. The year 2015 was the second year of implementation of the UNV Strategic Framework and UNV has made significant progress towards achieving its strategic priorities, which was captured by the mid-term review of the Strategic Framework and reflected in the Report of the Administrator to the Executive Board. While delivering these key results, UNV underwent a significant transformation and focused on strategic investments despite volatility in its resource base, in particular regular resources, and a challenging development landscape. It has reshaped much of its strategic thinking and policies, strengthened internal governance, pursued stronger result orientation and deployed new partnership strategies, focused on South-South and triangular collaboration. In reorienting towards its partners and clients, UNV implemented a new partnership strategy, which helped to diversify the donor base, including a more focused engagement with South-South cooperation and the private sector. UNV continues to adapt to be fit for the purpose of maximizing volunteer opportunities within the United Nations system, delivering solutions for the 2030 Agenda for Sustainable Development.

Junior Professional Officers programme

95. Twenty-seven Governments have agreements for the provision of JPOs and five have agreements for the provision of special assistants to resident coordinators (SARCs). At 31 December 2015, UNDP administered 215 JPOs and 23 SARCs, 114 of whom were working with UNDP and affiliated funds and programmes.

96. In 2015, UNDP recognized $16 million in contributions for the JPO programme. Expenses, including support costs, were $15 million. The accumulated surplus available at the end of 2015 was $18 million. UNDP received $20 million from United Nations organizations and partners to administer 124 JPOs on their behalf, and $17 million was delivered, including support costs.

Sector budget support

97. In decision 2008/24, the Executive Board endorsed a pilot allowing financial contributions to pooled funding and sector budget support, on a case-by-case basis and at the request of the recipient country, in accordance with the mandate of UNDP and in line with DP/2008/36, DP/2008/36/Corr.1 and DP/2008/36/Corr.2. In decision 2016/1, the Board extended the pilot period until 1 January 2017.

98. In 2009, a request from the Government of Burkina Faso for participation in sector budget support was approved for two projects, on HIV/AIDS and on human rights promotion. The 2015 UNDP contribution in the area of HIV/AIDS was $82,517 out of a total of $810,428, about 10.18 per cent of HIV/AIDS sector budget funds. An additional request from the Government of Burkina Faso was approved in 2013, for access to energy services in rural areas through the multifunctional platform programme, for which, in 2015, UNDP contributed $100,000 from regular resources, and $480,910 from other resources (Government of Luxembourg). Total UNDP contributions from regular resources to basket funds in 2015 amounting to $182,517 were below the 10 per cent cap of the annual authorized spending limit of regular resources funds contained in the resource planning framework established by the Executive Board. A desk review of direct budget support to UNDP Burkina Faso was conducted by the Office of Audit and Investigations in 2015, with a satisfactory rating.

99. The Government of Nepal has adopted a single sector-wide approach for local governance development work at both the central and local levels, and has employed a joint financing arrangement to pool resources and finances on local governance-related initiatives, projects and activities. UNDP signed the arrangement on 8 July 2014 to support the second Local Governance and Community Development Programme through sector budget support, and disbursed $200,000 in 2015 to be used exclusively for the programme.

VII. United Nations reform and support to United Nations organizations

100. UNDP coordinates the United Nations system at the country level and plays a vital role in fostering development coherence. Available data indicate that the value of joint programmes, fund flows to multi-donor trust funds and support to United Nations organizations totalled $1,389 million (2014: $1,484 million).

A. UNDP administrative agent function

101. UNDP supports joint programming through its role in fund design and administration of joint programmes and multi-donor trust funds on behalf of the United Nations system and national Governments, and through its programme

implementation role as a participating United Nations organization. Contributions received for multi-donor trust funds decreased to $691 million (2014: $891 million), reflecting the negative impact of exchange rate fluctuations and reduced levels of contributions for notably the Ebola Response Fund and the country-level common humanitarian funds. The net value of funds transferred by the Multi-Partner Trust Fund Office, in its role as administrative agent for all participating organizations, was $764 million (2014: $824 million), including $292 million transferred to UNDP for UNDP programmes (2014: $278 million).

B. Support to United Nations organizations

102. UNDP provides services, on a cost-recovery basis, to United Nations organizations, including peacekeeping missions. The value of funds received from agencies in 2015 totalled $698 million (2014: $593 million).

C. United Nations development coordination activities

103. UNDP plays significant roles in United Nations system coordination and country-level coordination in support of national development. Combined expenses totalled $128 million ($94 million from regular resources and $34 million from reimbursable support services and miscellaneous activities).

D. United Nations-mandated security costs

104. In its decision 2013/28 on the UNDP integrated budget, the Executive Board decided, in continuance of existing arrangements, to grant the Administrator with exceptional authority, during 2014-2017, in addition to the approved appropriation from regular resources for the institutional component of the integrated budget of $1,510.4 million, to access up to $30 million in regular resources for security measures. During 2014-2015, $5 million was drawn to respond to the outbreak of Ebola virus disease in West Africa.

105. The $30 million forms part of a total estimated requirement of $72.2 million in 2014-2015 for security measures ($30 million from regular resources and $42.2 million from other resources). UNDP spent $34.5 million (2014: $37.7 million), including $26.9 million in other resources (2014: $28.5 million). Of the $34.5 million expensed, $22.3 million (2014: $24.0 million) was associated with the UNDP share of the United Nations field security coordination programme; and $12.2 million (2014: $13.7 million) with security assessments security compliance, improvement of premises security, blast and seismic assessments, and office relocations.

VIII. 'Greening' UNDP

106. In 2015, UNDP took important steps to further extend its commitments to and leadership in environmental management. The UNDP Executive Group adopted a 'sustainability and climate neutrality Plan for global UNDP operations' committing

the organization to a reduction of 10 per cent in greenhouse gas emissions over five years and institution-wide climate neutrality.

107. UNDP reported its sixth global annual greenhouse gas inventory, including data from over 70 UNDP offices, and continued to track and disclose its environmental performance as part of the annual 'Moving towards a Climate Neutral United Nations' report.

108. UNDP continued to implement measures to reduce its environmental footprint while increasing operational resilience, efficiency and security. Over 20 UNDP offices are in the process of installing or have installed photovoltaic electricity systems to reduce greenhouse gas emissions, reduce dependency on fossil fuels and improve office energy security.

109. To generate funds for offsetting of global UNDP operations, the supplement charged on air travel was extended from headquarters to include regional centres. Due to reduced carbon credits costs, the supplement was reduced from 2 to 1 per cent, and UNDP agreed with the secretariat of the United Nations Framework Convention on Climate Change to offset greenhouse gas emissions with certified emission reductions provided by the Adaptation Fund.

110. In 2015, UNDP included sustainability criteria during a six-month pilot study in over 50 tenders amounting to $8.4 million, covering 11 countries. In 2016, UNDP intends to further expand the application of sustainable purchasing criteria and include an additional 20 countries.

IX. Funds administered by UNDP

United Nations Capital Development Fund

111. Detailed data for UNCDF (which is administered by UNDP), are provided in annex V and document DP/2016/20/Add.1, table 11.

112. In 2015, UNCDF operated in 31 of the 48 least developed countries, leveraging its capital mandate in these counties to pursue inclusive growth.

113. UNCDF contributions totalled $58 million, down from $88 million in 2014. The donor base remains diversified, with 37 partners (down from 44 in 2014), five of which were private sector/non-governmental entities that contributed $10 million to UNCDF (17 per cent of total revenue). The largest donors were the United Nations Multi-Partner Trust Fund, Australia, Sweden, European Commission, Bill and Melinda Gates Foundation, Switzerland, the MasterCard Foundation, Belgium, Denmark, and Luxembourg. In 2015, contributions to UNCDF regular resources from donors decreased to $12 million (2015: $15 million). As a result, regular resources contributions continued to remain below the $25 million per year required to sustain UNCDF operations in 40 of the 48 least developed countries, as envisaged in the UNCDF strategic framework 2014-2017.

114. Expenses for development activities, before elimination, totalled $67 million, including programme expenses of $63 million and development effectiveness expenses of $4 million. UNCDF disbursed $28 million in grants, as reflected in expenses. The operational reserve for UNCDF regular and other resources was

$14 million. UNCDF was thus able to deliver its planned development, management and financial results while sustaining its liquidity.

115. The $67 million in expenses excludes $2.9 million in the UNDP institutional budget and $0.9 million of UNDP programme support that were set aside for UNCDF management and technical expenditures, respectively. The amounts were fully expended by UNCDF but were recorded and reported separately by UNDP.

United Nations DP/2016/21

Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services

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Item 2 of the provisional agenda
UNDP funding issues

Status of regular resources funding commitments to the United Nations Development Programme and its associated funds and programmes for 2016 and onward

Summary

This report presents the status of regular and other resources funding commitments for 2016 and onward, as well as a summary of the contributions to regular and other resources received in 2015 for UNDP, the United Nations Capital Development Fund (UNCDF), and the United Nations Volunteers programme (UNV). In response to Executive Board decision 2015/16, the report discusses UNDP incentives and mechanisms to broaden its donor base and encourage a shift to less restricted other resources aligned to the strategic plan, 2014-2017.

In 2015, total contributions to UNDP fell by 5 per cent, to $4.486 billion, from $4.731 billion in 2014. Contributions to regular resources decreased by 11 per cent, to $704 million, from $793 million in 2014. Fifty-one Member States contributed to regular resources in 2015, five fewer than the 56 in 2014. Other resources contributions fell by 4 per cent, to $3.782 billion, from $3.938 billion in 2014. The ratio of regular to other resources was 16:84 in 2015, compared to 17:83 in 2014.

During the first two years of the strategic plan, 2014-2017, total contributions received were 94.5 per cent of the target set for the corresponding period, or $9 billion as opposed to $9.5 billion. Regular resources, however, met only 85.5 per cent of the target, at $1.5 billion (against the $1.75 billion target), having fallen at an annual rate of 11 per cent since 2013.

As of June 2016, UNDP has received $271 million, or 45 per cent of the regular resources projected for 2016. Subject to confirmation by some Member States and exchange rate fluctuations, 2016 regular resources are projected at approximately $600 million, a $100 million decrease from the 2015 level. A continued downward trend in regular resources will constrain the ability of UNDP to ensure global development effectiveness and make forward-looking, strategic choices and investments.

Elements of a decision

The Executive Board may wish to:

(a) take note of documents DP/2016/21, DP/2016/20 and DP/2016/20/Add.1;

(b) note the importance of regular resources, which remain the bedrock of UNDP support to programme countries, particularly the poorest and most vulnerable, and support the coherence and effectiveness of the United Nations development system;

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(c) urge Member States to prioritize regular and other resources that are flexible, predictable, less earmarked, and aligned to the outcomes of the strategic plan, 2014-2017;

(d) recall the importance of funding predictability and timeliness of payments to avoid liquidity constraints in regular resources;

(e) urge Member States that have not yet done so to contribute to regular resources for 2016, and encourage those who have not contributed to regular resources in the past to consider doing so;

(f) urge Member States to adhere to multi-year pledges and payment schedules; and

(g) urge Member States to continue their dialogue with UNDP on shifting from highly earmarked to less-earmarked other resources.

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I. Introduction

1. As prescribed by Executive Board decision 98/23, this report presents the status of regular resources funding commitments for 2016, as well as a summary of contributions to regular and other resources received in 2015.

2. In its decision 2015/16, the Executive Board noted with serious concern the decline in contributions to regular resources and the increasing imbalance between regular and other resources, emphasizing that regular resources are essential for maintaining the multilateral, neutral and universal nature of the UNDP mandate. The Board encouraged UNDP to further mobilize regular and other resources to respond to the needs of all programme countries, particularly the poorest and most vulnerable. The Board requested UNDP to explore incentives and mechanisms such as the 'funding windows' to broaden the donor base and encourage donors to prioritize regular resources contributions and shift to less-restricted other resources aligned to the strategic plan.

3. This report provides an overview of trends in funding from 2010 to 2015, the status of contributions received in 2015, and the status of regular resources funding commitments for 2016. It also covers actions taken by UNDP to protect regular resources and reverse their downward trend; shift from highly earmarked to less-earmarked other resources; and broaden the donor base.

4. Finally, the report provides information on the status of funding for UNCDF and UNV.

II. Overall resource trends and update on 2015 performance

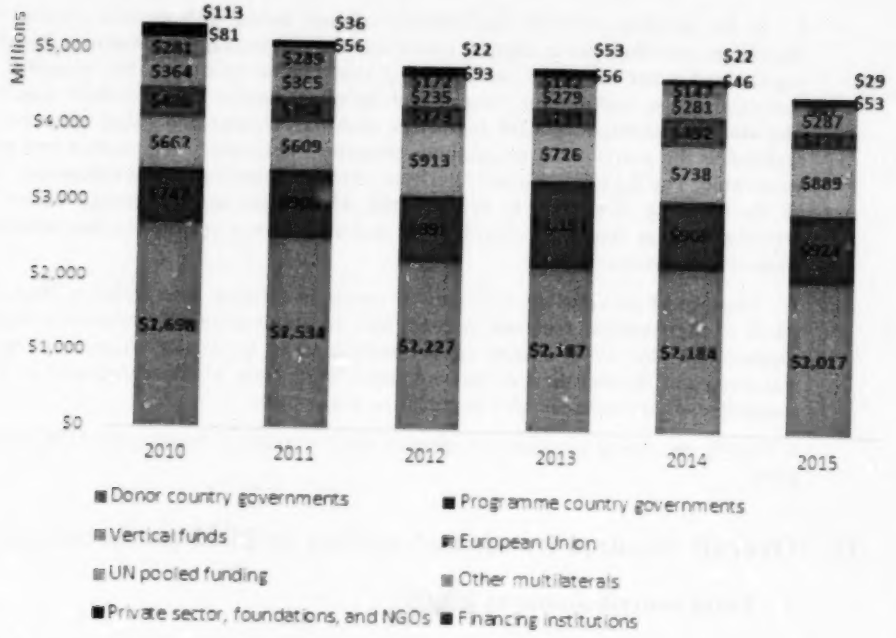
A. Total contributions to UNDP

5. Total contributions amounted to $4.486 billion in 2015, compared to $4.731 billion in 2014, representing a drop of 5 per cent. In 2015, the ratio of regular to other resources moved to 16:84 from 17:83 in 2014.

6. UNDP remains a multi-funded organization, with resources mobilized from a broad range of partners. Total contributions have declined, from $5.49 billion in 2010 to $4.486 billion in 2015. Over the same period, there have been shifts in the sources of funding as a percentage share of total funding.

7. Of total contributions received in 2015, 45 per cent were funded by donor country governments (down from 50 per cent in 2010); 21 per cent by programme country governments (up from 14 per cent in 2010); 20 per cent by vertical funds (up from 12 per cent in 2010); 6 per cent by United Nations pooled funding (down from 7 per cent in 2010); 5 per cent by the European Union (down from 8 per cent in 2010); and 3 per cent by the private sector, foundations, financial institutions, non-governmental organizations, and other multilateral organizations combined (down from 9 per cent in 2010). Figure 1, below, shows the overall resource trend by funding sources.

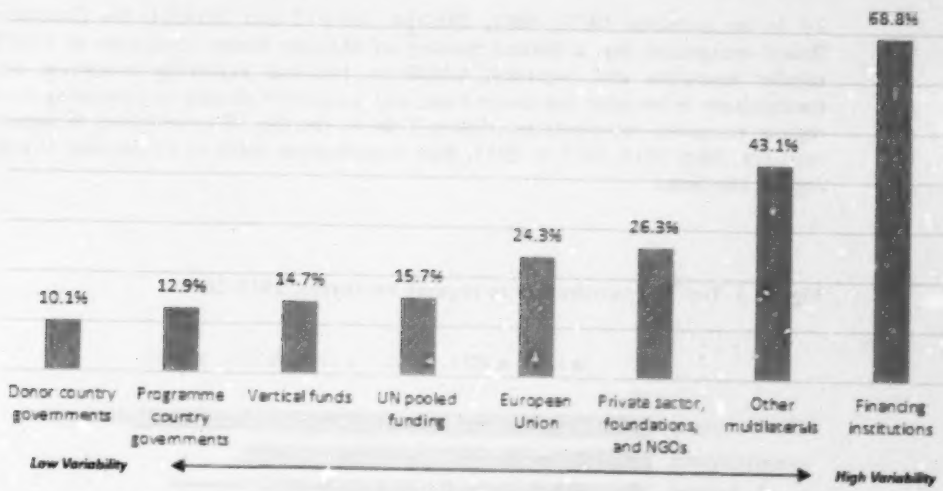
Figure 1. Overall resource trend by funding sources, 2010-2015



NGOs – non-governmental organizations

8. The predictability of funding can be measured by the degree of variability of contributions received, by funding source. Over the 2010-2015 period, contributions by donor country governments, programme country governments, vertical funds, and United Nations pooled funding were less variable, while those from financial institutions, other multilateral partners, the private sector, and the European Union had higher variability, as shown in figure 2.

Figure 2. Degree of variability by funding sources, 2010-2015



B. Contributions to regular resources

9. Numerous decisions of the Executive Board[1] stress the importance of regular resources for UNDP, which remain the bedrock of the organization and constitute a pillar of support to the poorest countries. The ability of UNDP to support country implementation of the 2030 Agenda for Sustainable Development, and the strategic plan, depends on a sustainable funding base.

10. Regular resources allow UNDP to invest in systems of accountability, transparency and quality assurance – including oversight functions such as audit, investigation and evaluation – and coordination of the United Nations development system. Declining regular resources constrain the ability of UNDP to ensure global development effectiveness and make forward-looking, strategic choices and investments.

11. Since 2008, contributions to regular resources have been declining, on average, by 7 per cent annually. In 2015, contributions decreased by 11 per cent, to $704 million – from $793 million in 2014 – due to reduced contributions and foreign exchange losses amounting to $95 million, offset by volume increases of $6 million.

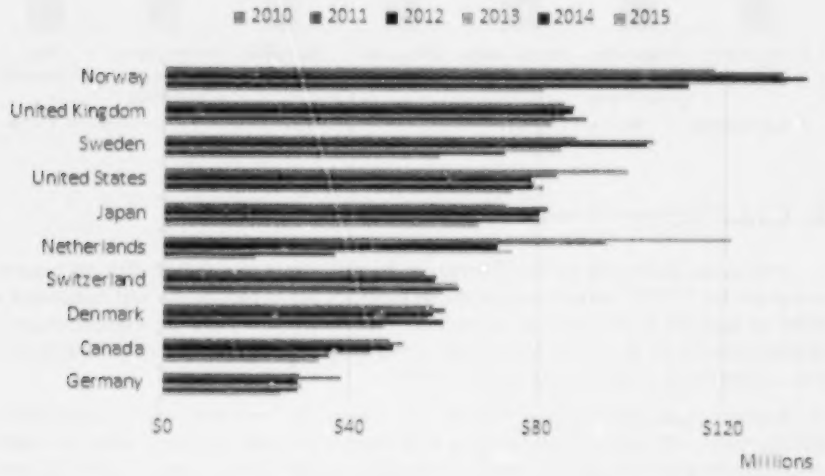
12. In 2015, UNDP received regular resources contributions from 51 Member States. Five increased their contributions in dollars or local currency; 18 reduced their contributions in local currency; and 22 maintained their contributions at the 2014 level. Six resumed contributions to regular resources in 2015. UNDP received government contributions to local office costs, in cash and in kind, amounting to $25 million.

[1] Decisions 98/23 and 99/1 and 23, reaffirmed in 2002/9 and 2009/18, 2003/24, 2004/14, 2005/20, 2006/24, 2007/17, 2008/16, 2009/10, 2010/14, 2011/15, 2012/10, 2013/13, 2014/24 and 2015/16.

13. The largest contributors to regular resources in 2015 were: the United Kingdom, Norway, the United States, Japan, Switzerland, Sweden, Denmark, Canada, Germany, and Belgium. China, India, Russia, Saudi Arabia, and Turkey maintained their contributions of over $1 million to regular resources in 2015.

14. In its decisions 98/23, 99/1, 2010/14, 2013/13 and 2014/24, the Executive Board recognized that a limited number of Member States contribute to UNDP regular resources and requested UNDP to continue exploring incentives and mechanisms to broaden the donor base, and to support donors in increasing their regular resources contributions. Figure 3 shows the top 10 contributors to regular resources from 2010-2015. In 2015, their contributions made up 83 per cent of total regular resources.

Figure 3. Top 10 contributors to regular resources, 2010-2015



C. Contributions to UNDP other resources

15. Other resources are earmarked to specific themes, programmes or projects, and represent a critical complement to the regular resource base. Total other resources contributions from cost-sharing, trust funds, reimbursable support services and miscellaneous activities amounted to $3.782 billion in 2015 (4 per cent lower than the $3.938 billion received in 2014). Of this, $1.335 billion was from donor country governments (a 5 per cent decrease from 2014), $901 million from programme country governments (as in 2014), and $1.546 billion from multilateral partners (a 5 per cent decrease from 2014). Table 1, below, shows the figures in detail.

Table 1. Other resources contributions by funding partners, 2014-2015
(in millions of dollars)

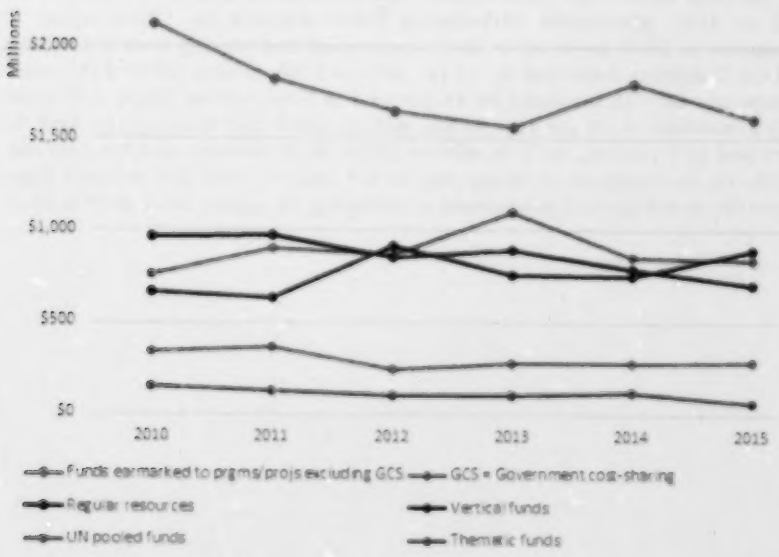
Year	Donor country governments				Programme country governments				Multilateral partners				Total
	Cost-sharing	Trust funds	RSS	Subtotal	Cost-sharing	Trust funds	RSS	Subtotal	Cost-sharing	Trust funds	RSS	Subtotal	
2015	773	522	40	1,335	887	8	6	901	974	527	45	1,546	3,782
2014	840	524	47	1,411	879	5	17	901	1218	346	62	1,626	3,938
$ change				-76				0				-80	-156
% change				-5%				0				-5%	-4%

RSS – reimbursable support services and miscellaneous activities

16. In its decision 2015/16, the Executive Board welcomed Member States' continued dialogue with UNDP on funding issues, including how to facilitate a shift from highly earmarked to less-restricted resources, and urged Member States to prioritize the provision of regular and other resources that are flexible, less earmarked, and aligned with the strategic plan.

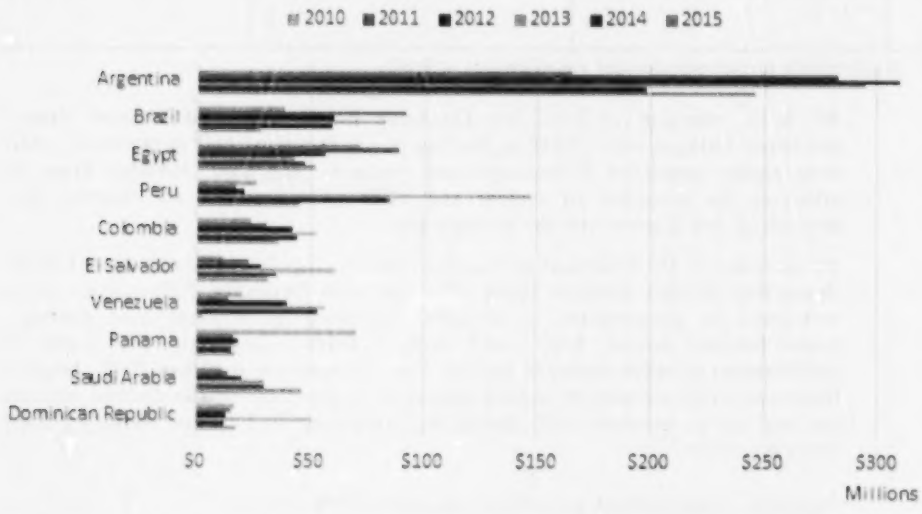
17. In terms of the degree of earmarking, next to regular resources, contributions channelled through thematic funds offer the most flexibility, followed by funds earmarked to programmes or projects (including government cost sharing), United Nations pooled funds, and vertical funds. Comparing the levels of contributions of other resources funding channels between 2010 and 2015, thematic funds and funds earmarked to programmes or projects are on the decline; vertical funding and government cost sharing are increasing; and United Nations pooled funds are stable.

Figure 4. Contributions by funding channels, 2010-2015



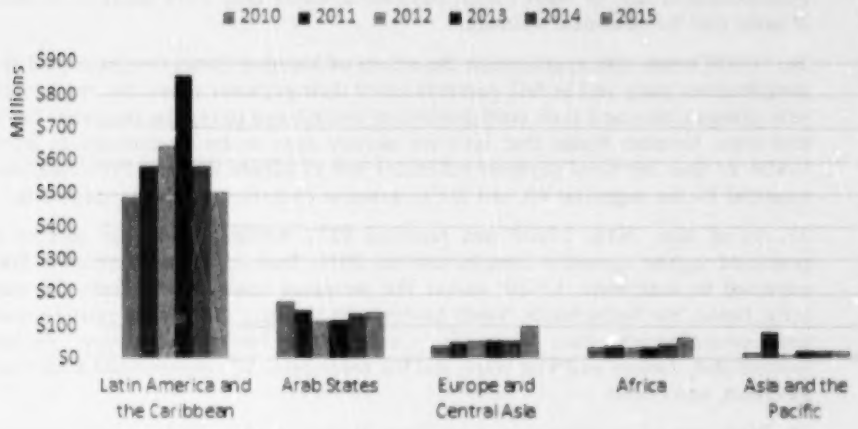
18. In its decision 2015/16, the Executive Board recognized that domestic resources, or government cost-sharing, constitutes an earmarked funding mechanism that strengthens national ownership and contributes to the achievement of country programmes. In 2015, out of the $901 million total contributions to other resources from programme governments, $840 million was for programmes or projects in their own countries (a 1 per cent decrease, from $852 million in 2014). Figure 5, below, shows the top 10 contributors to government cost sharing from 2010-2015.

Figure 5. Top 10 contributors to government cost-sharing, 2010-2015



19. Member States from Latin America and the Caribbean have contributed 69 per cent of total government cost-sharing funds received by UNDP since 2010. Compared to 2014, however, in 2015 government cost sharing from Latin America and the Caribbean decreased by 13 per cent, to $506 million (2014: $585 million); Europe and the CIS increased by 84 per cent to $101 million (2014: $55 million); Africa increased by 41 per cent, to $65 million (2014: $46 million); the Arab States increased by 4 per cent, to $144 million (2014: $138 million); and the Asia and the Pacific region decreased by 10 per cent, to $24 million (2014: $27 million). Figure 6 shows the distribution of government cost-sharing, by region, from 2010 to 2015.

Figure 6. Government cost-sharing, by region, 2010-2015



III. 2016 outlook and predictability

20. As reflected in General Assembly resolution 67/226, and in several Executive Board decisions, Member States are encouraged to maintain and substantially increase their voluntary contributions to regular resources and to contribute, on a multi-year basis, in a sustained and predictable manner.

21. Current projections suggest that, subject to confirmation by some Member States and exchange rate fluctuations, particularly concerning the Euro and the British pound, contributions to regular resources in 2016 are expected to total around $600 million, 15 per cent lower than the $704 million received in 2015.

22. Global political and economic developments are expected to continue to impede the ability of some Member States to make multi-year commitments in 2017. With continued steady support from current and new contributing Member States, however, and subject to exchange rate fluctuations, UNDP is determined to reverse the downward trend in regular resources so as to at least maintain the level received in 2015.

23. If regular resources continue to decline, it will not be possible for UNDP to maintain the protections for the programme budget now in place. Reduced support for development effectiveness and management could also accentuate organizational risks due to adverse effects on its institutional capacity for quality assurance, monitoring, accountability and oversight.

24. In its decision 2015/16, the Executive Board urged Member States in a position to do so to provide their contributions to regular resources as early as possible, and encouraged Member States to consider making multi-year pledges for future years. As of June 2016, 41 Member States had indicated their pledges or had already paid their 2016 contributions, as shown in table 1 of the statistical addendum.

25. In its decision 98/23, the Board determined that the predictability of regular resources would be strengthened if Member States announced their payment schedules, with early payment encouraged to ensure effective programming and to

avoid liquidity constraints in regular resources. As of June 2016, most Member States had not provided fixed payment schedules. However, 24 had paid their contribution in full, or made partial payment towards their 2016 pledges, as shown in table 2 of the statistical addendum.

26. UNDP notes with appreciation the efforts of Member States that have paid their contributions early and in full, communicated their payment schedules, made multi-year pledges, resumed their contributions or contributed to regular resources for the first time. Member States that have not already done so are encouraged to inform UNDP of their intended payment schedules and to adhere to them. Predictability is essential for the organization, and for programme countries, to plan strategically.

27. As of June 2016, UNDP had received $271 million, or 45 per cent of the projected regular resources contributions for 2016, from 25 of the 57 Member States expected to contribute. UNDP values the increased contributions from Germany, Italy, Japan, the Netherlands, Saudi Arabia, and Sweden; the new or existing multi-year commitments from Australia, Canada, the Netherlands, New Zealand, Switzerland, Turkey and Viet Nam; and the resumption of contributions from Cuba, Romania, and Ghana.

28 With respect to other resources, from January to June 2016, UNDP received $1.538 billion, including contributions from vertical funds and United Nations pooled funds. UNDP expects to receive close to $2 billion from the Global Environment Funds and the Global Fund to Fight AIDS, Tuberculosis and Malaria, by the end of 2018. The Green Climate Fund – the newest fund to which UNDP is an accredited entity – has approved a total of six projects to be implemented by UNDP in Armenia, Malawi, the Maldives, Tuvalu, Sri Lanka, and Viet Nam.

IV. Shifting from highly earmarked to less-earmarked other resources

29. In its decision 2015/16, the Executive Board noted the importance of enhancing the quality and predictability of contributions to other resources and their alignment to the strategic plan, 2014-2017, as an important complement to the regular resource base.

30. In response to Member States' requests made in the Quadrennial Comprehensive Policy Review and through the Executive Board for more predictable, flexible and adequate funding for development, UNDP established the 'funding windows', designed to encourage a shift to less-earmarked, more integrated and flexible funding.

31. The 'funding windows' were designed to promote an integrated approach and allocate resources to critical or emerging needs at national, regional and global levels, and to align development effectiveness principles of ownership, harmonization, results, and mutual accountability. They focus on development outcomes rather than project outputs and ensure strategic engagement with partners, leading to better targeting, results and learning; and they allow the pooling of funds for greater impact and reduced transaction costs to support implementation of the strategic plan.

32. As of June 2016, five Member States made contributions or committed to contributing to the 'funding windows': Germany, Luxembourg, the Republic of Korea, Slovakia, and Switzerland). UNDP has received $4.7 million to date, with a minimum total of $18 million expected to be received between 2016 and 2018.

V. Diversifying the donor base

33. In its decisions 98/23, 99/1, 2010/14, 2013/13 and 2014/24, the Executive Board recognized that a limited number of Member States contribute to UNDP regular resources, and requested UNDP to continue to explore incentives and mechanisms to broaden the donor base and to support donors in increasing their regular resources contributions, as well as shifting to less restricted other resources funding.

34. In response to those Board decisions to ensure a stable, predictable and more diverse regular resources funding base, UNDP launched the '100 Partners for Development' campaign, to reach a target of 100 Member States contributing to regular resources by the end of 2017.

35. Through concerted engagement and support from Member States, UNDP expects the number of contributors to regular resources to increase from 51 in 2015 to 57 in 2016, and is pleased with Member States like Cuba, Ghana, and Romania, which responded to the campaign by resuming their contributions.

36. UNDP continues to emphasize the importance of regular resources for investment aimed at eradicating poverty and reducing inequalities and exclusion, for the coherence, effectiveness and transparency of the United Nations development system, and to support the most vulnerable and enable prompt responses to crises.

37. In its decision 2015/16, the Executive Board requested UNDP to respond to evolving development opportunities in a transparent and coordinated manner to widen its partnerships with the private sector, civil society organizations, philanthropic organizations, the broader public, multilateral organizations, international financial institutions, and global public-private alliances.

38. Although the amounts received from the private sector and foundations are relatively small in comparison to the overall UNDP resource envelope, private-sector companies and foundations contribute through other means as well, such as through the use of their core competencies in different development areas, and by providing access to knowledge, technology and innovation. They also provide leveraging opportunities.

39. In 2016, at the World Humanitarian Summit, UNDP, the United Nations Office for the Coordination of Humanitarian Affairs and the United Nations Office for Disaster Risk Reduction launched the Connecting Business Initiative, providing a mechanism for the private sector to engage in a coordinated manner with the United Nations system, national governments and civil society on crisis risk reduction, emergency preparedness, response and recovery.

40. UNDP is investing in individual fundraising by scaling-up efforts to engage with 'high net worth' individuals through its Major Gifts Programme, and developing a digital goods platform that allows individuals worldwide to take direct action towards the sustainable development goals and to contribute to UNDP regular resources.

41. UNDP is increasing its engagement at the global, regional, and country levels by developing an operational strategy for international financial institutions, as well as bank-specific action plans to revitalize cooperation and accelerate progress towards the sustainable development goals. The first action plan was launched with the Islamic Development Bank Group in May 2016, along with the UNDP-Islamic Development Bank Group Global Islamic Finance Impact Investment Platform. To

facilitate operational collaboration at the country level, new financial agreements are being developed with the African Development Bank, the European Investment Bank, the Islamic Development Bank, the KfW Bank, and the World Bank.

VI. The United Nations Capital Development Fund and the United Nations Volunteers programme

United Nations Capital Development Fund

42. In 2015, total contributions received by UNCDF reached $58.9 million (including $0.89 million received from UNDP for programme support), down from $89.6 million in 2014. The diversification of UNCDF donors remained high, however, with 38 development partners contributing in 2015 (compared to 29 in 2010).

43. Contributions in 2015 included $9.9 million from private sector foundations, corporations and non-governmental organizations, representing 17 per cent of total income and 21.3 per cent of other resources. The top overall donors to UNCDF were the United Nations multi-donor trust fund, Australia, Sweden, the European Commission, Belgium, Switzerland, the Bill and Melinda Gates Foundation, The MasterCard Foundation, the United States, Denmark, and Luxembourg.

44. Contributions to regular resources reached $12.5 million in 2015 (including $0.89 million received from UNDP for programme support), down from $14.9 million in 2014. In 2015, the top regular resources donors to UNCDF were Switzerland, Sweden, Belgium, Luxembourg, the United States, Norway, Australia, Austria, Liechtenstein, and China. Two least developed countries, Myanmar and the Lao People's Democratic Republic, in addition to Thailand, supported UNCDF through regular resources contributions.

45. Despite increased donor diversification in recent years, UNCDF continues to be dependent on a limited number of donors for contributions to its regular resources. Regular resources contributions remained well short of the $25 million per year required to extend UNCDF operations to 40 of the 48 least developed countries, as envisaged in the UNCDF strategic framework, 2014-2017, presented to the Executive Board in 2014. The $12.5 million shortfall in regular resources poses significant challenges for UNCDF to increase its presence to 40 least developed countries.

46. By the end of 2015, UNCDF was able to maintain programmes –sometimes with a very thin presence – in only 31 least developed countries. Without a reversal of the downward trend in regular resources (further exacerbated by the expected impact of currency exchange losses), up to 10 programmes may be subject to further reduction by the end of 2016, and 2016 risks being the first year in which UNCDF falls short of the 40 per cent capital target against total programme resources. The shortfall constrains strategic UNCDF engagement at the country level, as well as its ability to pilot new approaches that could become flagships.

47. While other resources reached $46.4 million in 2015 – a decrease of 37 per cent from 2014 – they have increased steadily over the past 8 years, by more than 250 per cent (they stood at $13 million in 2007), and are expected to continue to grow in 2016.

48. The ratio of regular to other resources is approaching 1:4, while the ratio of regular resources to follow-on investments is averaging 1:10 – increasingly

originating from the domestic resources of least developed countries (institutional and private investors and governments), thus raising levels of capital to support the development objectives of least developed countries.

49. With its capital mandate and instruments, UNCDF offers 'last mile' finance models, through financial inclusion and localized investments that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. Using grants, soft loans, targeted credit increases, and innovative business and public-private partnerships, UNCDF tests financial models to show how strategically placed official development assistance can drive domestic resource mobilization for local economic development and financial inclusion. UNCDF innovations, blended finance approaches, and 'last-mile' finance models are relevant for the implementation of the 2030 Agenda, the Addis Ababa Action Agenda, and the Istanbul Programme of Action, as well as the Paris Agreement on climate change.

United Nations Volunteers

50. In 2015, the second year of the implementation of the UNV strategic framework, 2014-2017, programme resources amounted to $185 million, almost 2.9 per cent of which was financed from the Special Voluntary Fund.

51. Donor contributions continued to be critical in the development of volunteerism programming and mobilizing volunteers. In 2015, in line with its budget strategy, UNV continued its efforts to deepen, widen and diversify partnerships, with a particular focus on the Special Voluntary Fund, cost-sharing, and fully funded volunteers.

52. The Fund enables the UNV programme to cultivate diversified approaches that widen volunteer opportunities and deepen the programmatic integration of volunteerism for peace and development. Although it is a modest fund, its importance cannot be overstated, taking into account the lack of access to regular resources programme funding of UNV. From research-based projects to pilot interventions in areas such as youth volunteering and sustainable development, the Special Voluntary Fund is a catalyst for innovation and for leveraging additional external resources, serving as a vital foundation for the evolution of the voluntary sector.

53. Contributions to the Special Voluntary Fund decreased by 11.9 per cent, from $4.2 million in 2014 to $3.7 million in 2015, reflecting the historical fluctuations of annual contributions to the fund. A further slight decrease, of 4 per cent, is anticipated in 2016, with total of received to date and pledged contributions amounting to $3.5 million. Given the critical role of resources from the Fund, the UNV programme is continuously seeking to increase contributions to enable it to further explore, expand and strengthen the role of volunteerism and its contributions to development.

54. UNV is strengthening its relationships with the Member States that have contributed to the Special Voluntary Fund in past years, and seeks to gain the support of additional Member States. Thanks to the Fund, among other elements, UNV was able to demonstrate, through its second State of the World's Volunteerism Report, launched in 2015, how volunteers are champions of change at the local, national and global levels.

55. Contributions (including multi-year contributions) received for fully funded United Nations Volunteers, including contributions for fully funded United Nations

Youth and University Volunteers, decreased by 27.8 per cent, from $9.7 million in 2014 to $7 million in 2015. UNV continued to diversify its funding sources through various partnership initiatives, including South-South cooperation. Capitalizing on the successful 2014 Partnerships Forum, UNV will organize a second UNV partnerships forum, convening partners from both the North and the South, revitalizing existing partnerships, and brokering new ones.

VII. Conclusion

56. Achieving effective development results requires a clear link between development results and financial and other resources. In its decision 2016/4, the Executive Board concurred that the vision and expected results of the strategic plan, 2014-2017, are generally aligned with the 2030 Agenda for Sustainable Development and the sustainable development goals.

57. The midterm review of the strategic plan reaffirmed the commitment and readiness of UNDP to support implementation of the 2030 Agenda, and showed that, two years into implementation, UNDP has made solid progress in delivering results.

58. Total contributions received were at 94.5 per cent of the target set for the corresponding period, or $9 billion (as opposed to $9.5 billion). Regular resources met only 85.5 per cent of the target, at $1.5 billion as opposed to $1.75 billion, having fallen at an annual rate of 11 per cent since 2013. To sustain the progress made and meet the targets enumerated in the strategic plan, adequate and predictable funding is required to ensure strategic focus, tactical flexibility and the ability to respond to crises and opportunities.

59. UNDP is funded from a variety of sources – Member States, multilateral partners, non-governmental organizations, private and philanthropic actors, and financial institutions – and continues to value all types of funding that allow the organization to deliver on its commitments. The ability of UNDP to perform at a high level is nevertheless heavily reliant on regular resources, not least because they form the pillar of its support to the world's poorest countries.

60. Regular resources provide for the most effective delivery of transformational results; support the most vulnerable; promote equity; enable prompt response to crises; and promote the coherence, accountability, transparency and quality assurance of the United Nations development system – all priorities both of Member States and of UNDP. Declining regular resources and a concentration of earmarked funds make it difficult to ensure that UNDP has the capacity to implement its programmes effectively.

61. To address the impact of reductions in regular resources, and guided by Executive Board decisions, certain lines under both the programmatic and institutional components of the integrated budget were protected from significant cuts. Protecting those budget lines, however, meant significant reductions in other areas, including regional and global programmes and overall management activities. Further reductions in funding for development effectiveness and management may pose organizational risks due to their adverse effects on institutional capacity for quality assurance, monitoring, accountability and oversight.

62. The absence of multi-year commitments from some partners remains a concern for UNDP and its ability to plan ahead and sustain its multilateral and universal character. In addition, lack of predictability or early payment increases the vulnerability of the organization to exchange rate fluctuations, negatively affecting its liquidity position.

63. UNDP is committed to working with its partners to diversify its funding base and reverse the fall in regular resources. The roll-out of the '100 Partners for Development' campaign to increase contributions from existing partners and the number of contributors to regular resources, and the launch of the 'funding windows' to encourage a shift from highly earmarked to more flexible resources, can succeed only with the full support of Member States.

64. UNDP has incorporated substantive opportunities for partnerships with the private sector, foundations, financial institutions and individuals into its areas of work. It will continue to promote public-private partnerships using partners' core competencies and access to knowledge, technology and innovation.

65. UNDP will continue to engage with the Executive Board and seek the support of Member States to ensure that the principles of predictability, universality and progressivity can be sustained.

66. UNDP urges Member States to: (a) increase or provide their voluntary contribution in a manner consistent with their capacities; (b) contribute on a multi-year basis in a sustained and predictable manner; (c) shift their contributions from highly earmarked to less-earmarked resources; and (d) advocate among Member States to contribute to UNDP regular resources in a timely and predictable manner, to enable UNDP to deliver the expected results of the strategic plan, 2014-2017, and lead the United Nations system in implementing the 2030 Agenda for Sustainable Development.